

Report to: Cabinet



Date of Meeting 30 October 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

## Financial Plan 2025 - 2035

### Report summary:

The annual formulation of the Financial Plan and approval process helps the Council plan to maintain balance budgets.

Attached is the draft Financial Plan 2025 – 2035 for recommendation to Council.

The Financial Plan comprises of two parts.

### Part A - The Medium Term Financial Plan Model (MTFP) - (page 3 of the Plan)

This is an essential part of the budget setting process. The MTFP provides a financial model and forecast of the cost of providing services over a rolling ten year-period, together with an estimate of the financial resources that are likely to be available to the Council. The process is designed to provide an early warning of any potential deficit in the required level of resources.

As well as considering the General Fund, the MTFP also reviews the affordability of the Council's capital investment programme, matching forecast funding against planned capital spending over a five-year horizon. The capital programme is easier to control as individual schemes can be approved or not by Council to match resources available. Clearly this has its own implications in meeting the Council Plan objectives but does not have the same degree of organisation complexity as the General Fund involving significant staff numbers, team interaction and service delivery.

The focus of analysis and emphasis is therefore placed on the General Fund, a summary position if given below.

Summary of the MTFP Model – Annual budget shortfall assuming previous year's shortfall was found - (page 12 of the Plan)

General Fund	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Budget Shortfall/(Surplus)	225	3,970	1,249	563	487	485	484	482	370	587



The reason for significant changes between years is that 2026/27 as explained is when rebasing of business rates is expected, creating a significant funding shortfall.

## **Part B – Financial Sustainability Model (FSM) - (page 14 of the Plan)**

Addressing the funding gap comes in two parts linked to the uncertainty of Government funding for local authorities.

- The funding gap for 2025/26 is considered manageable exploring what savings/increased income can be achieved working with services and with member support.
- The budget gap currently identified for 2026/27 can in part be addressed through a revised and refreshed FSM but it is likely to require service reduction based on member priorities. The scale of this task and timing is still unclear until certainty is given by the new Government.

### ➤ **2025/26 budget gap**

Broadly of the £225k shortfall in 2025/26 it is considered this can be bridged subject to member approval and further work that will be presented in the detail budget.

Savings and income generation will be worked through with the Senior Leadership Team, including how to mitigate service pressure costs not currently allowed for in the MTFP. Material areas being targeted for savings/increased income through this Plan are:

- Asset management it is believed could release savings in the order of £65k. Further details will be presented to members for consideration.
- Further work with LED is ongoing on next year's subsidy level, a £200k reduction has been agreed at this stage over the current year and built into the MTFP.
- Executive Leadership Team consideration of non-replacement of vacant posts in a managed way based on organisational need and priority, new posts maybe considered but to be kept within the necessary budget level - the current budget has 464 FTE budgeted, a reduction of 4 vacant posts could generate in the order of £170k saving.
- If necessary to bring forward some service reductions for members to consider.

The refreshed FSM process is described in the Plan, reviews are required to ensure we are delivering VFM, drive efficiencies to see what savings can be achieved and to form an evidence base that we have done what we can.

- **2026/27 budget gap** - If the funding gap estimated in 2026/27 of £4m materialises, which is dependent on Government direction, then efficiencies and income generation are unlikely to drive the level of savings required and we will need to propose service reductions. Importantly this action comes at a point when we are clearer on how much we need to find and by when before radical service decisions are made. As stated in the Plan, we have a MTFP Risk Reserve in place to protect us against any immediate changes should Government carry out reforms without good notice.

This gap cannot be ignored, and actions and scenarios need to be formulated to allow members to consider options, to be ready to implement when required, to the scale required. This modelling and member discussions can happen over the next 12 months.

**Is the proposed decision in accordance with:**

Budget Yes  No

Policy Framework Yes  No

**Recommendation:**

To consider the draft Financial Plan 2025 – 2035 and to recommend to Council its adoption and direction outlined in balancing future budgets.

**Reason for recommendation:**

It is essential the Council considers its financial resources in advance to allow time to make necessary amendments in its service provision to ensure balance budgets are maintained.

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Portfolio(s) (check which apply):

- Climate Action and Emergency Response
- Coast, Country and Environment
- Council and Corporate Co-ordination
- Communications and Democracy
- Economy
- Finance and Assets
- Strategic Planning
- Sustainable Homes and Communities
- Culture, Leisure, Sport and Tourism

**Equalities impact** Low Impact

No decisions on service delivery are being made at this stage.

**Climate change** Low Impact

**Risk:** Medium Risk; These are identified within the Plan.

**Links to background information**

Link to [Council Plan](#)

Priorities (check which apply)

- A supported and engaged community
  - Carbon neutrality and ecological recovery
  - Resilient economy that supports local business
  - Financially secure and improving quality of services
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**Financial implications:**

The financial details are covered in the report

**Legal implications:**

The Local Government Finance Act 1992 and Local Government Act 2003 set out the legal requirements in relation to Council budgets. Approval of the MTFP is a decision for Full Council.